

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

CITIZENS UTILITY BOARD)	
v.)	Docket No. 00-0043
)	
ILLINOIS BELL TELEPHONE CO.)	
(AMERITECH, ILLINOIS))	
)	
Complaint to stop Ameritech from using)	
misleading marketing and advertising)	
materials and statements concerning)	
Simplifive and CallPack rates.)	

CONTAINS ***NON-PROPRIETARY*** INFORMATION

DIRECT TESTIMONY OF CHARLOTTE F. TERKEURST

ON BEHALF OF THE CITIZENS UTILITY BOARD

MARCH 31, 2000

CITIZENS UTILITY BOARD
208 South LaSalle Street
Suite 1760
Chicago, Illinois 60604
Telephone: (312) 263-4282
Fax: (312) 263-4329

CUB Exhibit 1.0 ~~NP~~

OFFICIAL FILE

I.C.C. DOCKET NO. 00-0043

CUB Exhibit No. 1.0

Witness

Date

6/1/2000 Reporter J.W.

1 I. INTRODUCTION

2
3 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

4 A. My name is Charlotte F. TerKeurst. I am a Senior Vice President of Competitive Strategies
5 Group, Ltd. (CSG). My business address is 70 East Lake Street, 7th Floor, Chicago, Illinois
6 60601.
7

8 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EDUCATIONAL
9 BACKGROUND.

10 A. I joined CSG in August 1997. I consult primarily on telecommunications issues related to
11 competitive entry, alternative regulation, pricing, numbering, and universal service.
12 Prior to joining CSG, I was employed by the Illinois Commerce Commission (Commission)
13 as Manager of the Telecommunications Division and earlier as Director of the
14 Telecommunications Program in the Office of Policy and Planning. In addition to managing
15 technical staff, I was the lead staff witness in several proceedings, including the
16 Commission's investigation into Ameritech Illinois' compliance with Section 271(c) of the
17 Telecommunications Act of 1996 (the 1996 Act). After passage of the 1996 Act, I spent
18 significant time working with Federal Communications Commission (FCC) and National
19 Association of Regulatory Utility Commissioners representatives on federal and State efforts
20 to implement the new requirements.

21 I was Manager of the Telecommunications Department at the Missouri Public Service
22 Commission in 1991-1993. That Department addressed most aspects of telecommunications
23 regulation in Missouri, including tariff filings, rate design, depreciation, and quality of
24 service oversight.

25 From 1980 until 1991, I was employed by the California Public Utilities Commission, where
26 I held several positions on the technical energy staff, as an advisor to a Commissioner, and
27 as an administrative law judge. As an advisor, I dealt with both energy and
28 telecommunications issues, including state implementation of AT&T's divestiture. As an
29 administrative law judge, I handled telecommunications matters, including cases addressing
30 alternative regulation and intraLATA competition for Pacific Bell Telephone Company and

1 GTE California, and regulatory flexibility for AT&T. For five semesters, I taught a graduate
2 course entitled "Legal and Regulatory Aspects of Telecommunications" at Golden Gate
3 University.

4 I have filed testimony or appeared before commissions in the states of California, Colorado,
5 Illinois, Indiana, Kentucky, Missouri, Ohio, Puerto Rico, Rhode Island, and Texas. I hold a
6 Bachelor of Science degree in mathematics from the University of Mississippi and a Master
7 of Science degree in electrical engineering from the University of Illinois at Champaign-
8 Urbana. I have also taken

9 engineering and economics courses at the Los Angeles and Berkeley campuses of the
10 University of California. A detailed description of my qualifications and experience is
11 attached to my testimony as Attachment 1.

12
13 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

14 A. I am presenting testimony on behalf of the Citizens Utility Board (CUB).

15
16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

17 A. The purpose of my testimony is threefold. First, I evaluate whether residential consumers
18 experience savings under the SimpliFive and CallPack plans as suggested by Ameritech
19 Illinois. Second, I address the importance of fair advertising and marketing practices to ensure
20 that customers can make informed choices among the various calling plans available to them.
21 Third, I address the harm to competition that can arise due to Ameritech Illinois' unreasonable
22 advertising and marketing practices.

23
24 Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS IN THIS
25 PROCEEDING.

26 A. In this testimony, I demonstrate that, contrary to Ameritech Illinois' marketing assertions,
27 most residential customers will pay more under the SimpliFive and CallPack plans
28 compared to Ameritech Illinois' basic rates. I also demonstrate that Ameritech Illinois
29 misrepresents the SimpliFive and CallPack plans to customers and leads them to believe that
30 they will save money under those plans when in reality they will not. Ameritech Illinois'
31 deceptive advertising and marketing practices not only prevent customers from making

1 informed choices among Ameritech Illinois' various calling options, but also harm
2 competition in the local and intraLATA toll markets.

3 In order to address the harms inflicted on customers and competition due to Ameritech Illinois'
4 deceptive advertising and marketing practices, Ameritech Illinois should be required to modify
5 these practices in several respects. At a minimum, Ameritech Illinois should be required to:

- 6 • Provide customers with the information they need in order to make informed
7 choices regarding the desirability of these plans, including a clear explanation
8 during marketing activities that the customer's calling patterns will affect the
9 rates paid under the marketed plan and that lower-priced options may be
10 available,
11
- 12 • During marketing activities, offer to provide information about other
13 Ameritech Illinois rate options and offer to do a customer-specific billing
14 comparison using available historical usage data or anticipated usage
15 patterns,
16
- 17 • Offer the SimpliFive and CallPack options to customers only after it has
18 offered to provide the additional information addressed above,
19
- 20 • Provide SimpliFive and CallPack subscribers with on-going information
21 about their usage, including itemized monthly bills.
22
- 23 • Provide customers information annually about all Ameritech Illinois rates and
24 plans available to them in order to allow customers to evaluate, over time,
25 whether particular calling plans are indeed beneficial to them, and
26
- 27 • Fund a consumer education campaign through the print and electronic media
28 and bill inserts to educate consumers about Ameritech's basic rates, ways
29 they can control their telephone costs, the availability of calling plans and the
30 existence of competition for some services.
31

32 Finally, because of the higher rates that Ameritech Illinois has charged SimpliFive
33 and CallPack customers as a result of its unreasonable marketing practices,
34 Ameritech Illinois should be required to refund overcharges to those customers.
35 Ameritech Illinois should be required to report the total amount of overcharges to the
36 Commission. In assessing such overcharges, Ameritech Illinois should be instructed
37 not to net against the overcharges any savings that other SimpliFive and CallPack
38 subscribers may have realized.
39

II. ANALYSIS OF WHETHER SIMPLIFIVE AND CALLPACK PLANS PROVIDE SAVINGS TO AMERITECH ILLINOIS' RESIDENTIAL CUSTOMERS

Q. PLEASE SUMMARIZE YOUR ASSESSMENT OF WHETHER AMERITECH ILLINOIS' SIMPLIFIVE AND CALLPACK PLANS PROVIDE SAVINGS TO RESIDENTIAL CUSTOMERS.

A. Based on the information available about customers' aggregate calling patterns, most residential customers would pay higher rates under both the SimpliFive and CallPack 100 plans compared to Ameritech Illinois' basic rates.

Q. PLEASE PROVIDE YOUR UNDERSTANDING OF AMERITECH ILLINOIS' BASIC RATES FOR ITS RESIDENTIAL BAND A,¹ B² AND C³ SERVICES.

A. Ameritech Illinois' current basic rates for MSA 1 are as follows:⁴

Band	Peak ⁵	Shoulder Peak ⁶	Off Peak ⁷
A	\$0.05/call	\$0.045/call	\$0.03/call
B	\$0.05/1 st min	\$0.045/1 st min	\$0.03/1 st min
	\$0.015/add min	\$0.0135/add min	\$0.009/add min
C	\$0.010/min	\$0.10/min	\$0.10/min

In addition to the above mentioned rates, residential customers receive an increasing discount for Band A and B services based on total accumulated monthly usage for those services. Specifically, for Band A and B usage between \$2.61 and \$5.20, a 15% discount applies. For usage between \$5.21 and \$10.40, a 20% discount usage

¹ Band A calls are carried over a distance of 0 to 8 miles from the central office.

² Band B calls are carried over a distance of 8 to 15 miles from the central office.

³ Band C calls are carried over a distance of 15 miles or more from the central office.

⁴ ILL.C.C. No. 20, Part 4, Section 2, 6th Revised Sheet No. 83.1, Subsection 4.4A(1).

⁵ Peak hours are 9am to 11 am and 2pm to 8 pm, Monday through Friday.

⁶ Shoulder Peak hours are from 8am to 9 am, 11am to 2 pm and 8pm to 9pm, Monday through Friday.

⁷ Off Peak hours are 9pm to 8 am, Monday through Friday, and 9 pm Friday through 8 am Monday.

1 applies. For usage between \$10.41 and \$26, a 24% discount applies. Finally, for
2 usage levels over \$26.01, a 33% discount applies.

3 Ameritech Illinois' current basic residential rates for MSAs other than MSA 1 are as
4 follows:⁸

5	<u>Band</u>	<u>Peak</u>	<u>Shoulder Peak</u>	<u>Off Peak</u>
6	A	\$0.056/call	\$0.0504/call	\$0.03/call
7	B	\$0.05/1 st min	\$0.045/1 st min	\$0.03/1 st min
8		\$0.017/add min	\$0.0153/add min	\$0.012/add min
9	C	\$0.010/min	\$0.10/min	\$0.10/min

10
11 In addition to the above mentioned rates, residential customers receive the same
12 increasing discounts on Band A and B services available in MSA 1, i.e., a 15%
13 discount for usage exceeding \$2.60 increasing in three additional steps to a 33%
14 discount for usage over \$26.00 as described above.

15
16 Q. HOW MANY RESIDENTIAL LINES ARE CURRENTLY BILLED AT
17 AMERITECH ILLINOIS' BASIC RATES?

18 A. As of February 2000, there were *** ***residential lines being billed at
19 Ameritech Illinois' basic rates.⁹

20
21 Q. PLEASE PROVIDE YOUR UNDERSTANDING OF AMERITECH ILLINOIS'
22 RATES FOR RESIDENTIAL BAND A, B AND C SERVICES UNDER THE
23 SIMPLIFIVE PLAN.

24 A. According to Ameritech Illinois' tariff, the SimpliFive plan prices Ameritech Illinois'
25 Band A service at \$0.05/call, and its Band B and C services at \$0.05/minute, 24
26 hours a day, 7 days per week. In addition, residential customers receive a 15%

⁸ ILL.C.C. No. 20, Part 4, Section 2, 6th Revised Sheet No. 754.1, Subsection 5.4A(1) and ILL.C.C. No. 19, Part 4, Section 2, 3rd Revised Sheet No. 38, Subsection 3.4A(2).

⁹ Ameritech Illinois response to CUB data requests 8 and 9.

1 discount for Band A, B and C usage exceeding \$15 but less than \$30, and a 30%
2 discount for usage exceeding \$30.

3
4 Q. HOW MANY RESIDENTIAL LINES ARE CURRENTLY BILLED AT
5 AMERITECH ILLINOIS' SIMPLIFIVE RATES?

6 A. As of February 2000, there were *** *** residential lines being billed at
7 Ameritech Illinois' SimpliFive rates.¹⁰

8
9 Q. PLEASE PROVIDE YOUR UNDERSTANDING OF AMERITECH ILLINOIS'
10 RATES FOR RESIDENTIAL BAND A, B AND C SERVICES UNDER THE
11 CALLPACK PLANS.

12 A. Ameritech Illinois has four different CallPack plans, namely CallPack 100, CallPack
13 250, CallPack 400 and CallPack 800. Under CallPack 100, a customer pays a flat
14 rate of \$10 for a monthly calling allowance of 100 Band A, B and/or C calls during
15 that month. If the customer makes 100 Band A, B and/or C calls during that month,
16 the effective rate for those calls is \$0.10/call. The customer is charged \$0.10 per call
17 for each Band A, B or C call over the 100 monthly calling allowance.

18 Under CallPack 250, a customer pays a flat rate of \$20 for a monthly calling
19 allowance of 250 Band A, B and/or C calls during that month. If the customer
20 makes 250 calls during that month, the effective rate per call for the customer's Band
21 A, B and C calls is \$0.08/call. The customer is charged \$0.09 per call for each Band
22 A, B or C call over the 250 monthly calling allowance. This plan was grandfathered
23 by Ameritech Illinois on July 3, 1998.¹¹

24 Under CallPack 400, a customer pays a flat rate of \$30 for a monthly calling
25 allowance of 400 Band A, B and/or C calls during that month. If the customer
26 makes 400 calls during that month, the effective rate per call for the customer's Band
27 A, B and C calls is \$0.075/call. The customer is charged \$0.08 for each Band A, B,

¹⁰ Ameritech Illinois response to CUB data request 6.

¹¹ Ameritech Illinois response to CUB data request 5.

1 or C call over the 400 monthly calling allowance. This plan was grandfathered by
2 Ameritech Illinois on July 3, 1998.¹²

3 Under CallPack 800, a customer pays a flat rate of \$60 for a monthly calling
4 allowance of 800 Band A, B and/or C calls during that month. If the customer
5 makes 400 calls during that month, the effective rate per call for the customer's Band
6 A, B and C calls is \$0.075/call. The customer is charged \$0.08 for each Band A, B
7 or C call over the 800 monthly calling allowance. This plan was grandfathered by
8 Ameritech Illinois on July 3, 1998.¹³

9
10 Q. HOW MANY RESIDENTIAL LINES ARE CURRENTLY BILLED AT
11 AMERITECH ILLINOIS' CALLPACK RATES?

12 A. As of February 2000, the numbers of residential lines billed at the CallPack 100, 250,
13 400 and 800 rates were ***, ***, ***, ***, *** and ***
14 respectively.¹⁴

15
16 A. Analysis of Whether SimpliFive Rates Provide Savings to Ameritech Illinois'
17 Residential Customers

18
19 Q. HOW DO SIMPLIFIVE RATES COMPARE TO AMERITECH ILLINOIS' BASIC
20 RATES IN MSA 1?

21 A. In MSA 1, SimpliFive's Band A and B rates are equal to or greater than Ameritech
22 Illinois' basic Band A and B rates regardless of the volume or time of the call.
23 SimpliFive's Band C rates are half of Ameritech Illinois' basic Band C rates.
24 However, Ameritech Illinois' basic rates offer volume discounts that are generally
25 larger than those applicable under the SimpliFive plan.
26

¹² Id.

¹³ Id.

¹⁴ Ameritech Illinois response to CUB data request 7.

1 Q. PLEASE EVALUATE THE IMPACT ON MSA 1 RESIDENTIAL CUSTOMERS
2 OF SUBSCRIBING TO THE SIMPLIFIVE PLAN AS OPPOSED TO
3 REMAINING ON AMERITECH ILLINOIS' BASIC RATES.

4 A. Based on data provided by Ameritech Illinois, the typical residential customer has
5 relatively high Band A (i.e., untimed calling) calling levels (80% of total Band A, B
6 and C calls)¹⁵ and relatively low Band B (12% of total Band A, B and C calls)¹⁶ and
7 Band C calls (8% of total Band A, B and C calls).¹⁷ Since Band A and B calls are
8 more expensive under SimpliFive than under Ameritech Illinois' basic rates, MSA 1
9 customers with this average Band A/B/C calling pattern pay more under SimpliFive
10 than they would if they use Ameritech Illinois' basic rates.
11 This conclusion is illustrated in Attachments 2, 3 and 4 attached hereto for three total
12 usage levels. Attachment 2 illustrates rates for a customer with 30 Band A calls per
13 week. Attachments 3 and 4 illustrate customers with low (9 Band A calls per week)
14 and high (90 Band A calls per week) usage levels. In the absence of Ameritech
15 Illinois-specific data regarding residential time-of-day calling patterns,¹⁸ I assume a
16 residential time-of-day calling pattern in which 75% of calls are during
17 Peak/Shoulder Peak periods and 25% are during Off Peak periods, based on my
18 experience in the telecommunications industry. For simplicity, I also develop a
19 composite Band A basic rate for the Peak/Shoulder Peak period of \$0.0484 per call.¹⁹
20 Similarly, I develop composite Band B basic rates for the Peak/Shoulder Peak period
21 of \$0.0484 for the initial minute and \$0.0145 for each additional minute. As
22 Attachments 2, 3 and 4 demonstrate, residential customers in MSA 1 within this

¹⁵ Ameritech Illinois response to CUB data requests 21, 22, 23 and 24.

¹⁶ Id.

¹⁷ Id.

¹⁸ CUB has requested time-of-day usage data from Ameritech Illinois. If Ameritech Illinois-specific data is obtained, the analyses in Exhibits 2 through 7 could be refined accordingly.

¹⁹ According to Ameritech Illinois' tariffs, there are twice as many Peak hours per week (40 hours) as there are Shoulder Peak hours (20 hours). As a result, the Peak/Shoulder Peak rate is developed as follows:
 $(\$0.05 * 67\%) + (\$0.045 * 33\%) = \$0.0484$.

1 wide range of total usage levels and with average Band A/B/C calling patterns will
2 always pay more under SimpliFive than under basic rates.

3 Since SimpliFive's Band C rates are less than basic Band C rates, customers with
4 disproportionate amounts of Band C calling may find the SimpliFive plan to be
5 advantageous. I have calculated that customers with average total usage levels but
6 with Band C calls totaling about 11% or more of their total Band A, B and C calls
7 would find the SimpliFive plan financially attractive. While I do not have the data to
8 determine exactly how many residential customers show such disproportionate Band
9 C calling patterns, it is clear that the majority of customers in MSA 1 would
10 experience rate increases if they subscribe to the SimpliFive plan.

11
12 Q. HOW DO SIMPLIFIVE RATES COMPARE TO AMERITECH ILLINOIS' BASIC
13 RATES IN MSAS OTHER THAN MSA 1?

14 A. Like MSA 1, SimpliFive's Band C rate is half the basic Band C rate. In addition,
15 SimpliFive rates are slightly less than the basic undiscounted Peak and Shoulder
16 Peak rates for Band A calls and are equal to the rate for the initial minute of Peak
17 Band B calls. SimpliFive rates are higher than all other basic rate elements. In
18 addition, Ameritech Illinois' basic rates include volume discounts that are larger than
19 those applicable under the SimpliFive plan. These larger volume discounts
20 progressively reduce the basic Peak and Shoulder Peak Band A rates and the Peak
21 Band B rates below those offered under the SimpliFive plan.

22
23 Q. PLEASE EVALUATE THE IMPACT ON NON-MSA 1 RESIDENTIAL
24 CUSTOMERS OF SUBSCRIBING TO THE SIMPLIFIVE PLAN AS OPPOSED
25 TO REMAINING ON AMERITECH ILLINOIS' BASIC RATES.

26 A. Attachments 5, 6 and 7 analyze the impact in MSAs other than MSA 1 on residential
27 customers with average Band A/B/C calling patterns of subscribing to the SimpliFive
28 plan compared to remaining on basic rates. As demonstrated for the three total usage
29 levels in these Attachments, non-MSA 1 customers with average Band A/B/C calling
30 patterns will always be better off remaining on Ameritech Illinois' basic rates.
31 Similar to MSA 1, only customers with Band C calls that are 12% or more of

1 their total Band A, B and C calls would find the SimpliFive plan financially attractive.

2
3 Q. WHAT IS YOUR CONCLUSION REGARDING THIS MATTER?

4 A. Based on the information available about customers' aggregate calling
5 patterns, most residential customers would pay higher rates under the
6 SimpliFive plan compared to Ameritech Illinois' basic rates.

7
8 B. Analysis of Whether CallPack Rates Provide Savings to Ameritech Illinois'
9 Residential Customers

10
11 Q. PLEASE IDENTIFY WHICH CALLPACK PLANS YOU ANALYZE IN THIS
12 PORTION OF YOUR TESTIMONY.

13 A. I limit my analysis to CallPack 100 because the other CallPack options have been
14 grandfathered and, thus, Ameritech Illinois is not marketing them at this time.

15
16 Q. HOW DO CALLPACK 100 RATES COMPARE TO AMERITECH ILLINOIS'
17 BASIC RATES?

18 A. Both within and outside MSA 1, the \$0.10/call CallPack 100 rate is significantly
19 more expensive than Ameritech Illinois' basic untimed Band A rates. The CallPack
20 100 rate is lower than Ameritech Illinois' basic undiscounted rates for Band B calls
21 longer than about 4 to 9 minutes, depending on the time of day, and is lower than the
22 undiscounted basic rates for all Band C calls over 1 minute. However, Ameritech
23 Illinois' basic rates include a large volume discount while CallPack 100 rates do not.

24
25 Q. PLEASE EVALUATE THE IMPACT ON RESIDENTIAL CUSTOMERS OF
26 SUBSCRIBING TO THE CALLPACK 100 PLAN AS OPPOSED TO
27 REMAINING ON AMERITECH ILLINOIS' BASIC RATES.

28 A. Attachments 2 through 7 demonstrate that residential customers with average Band
29 A/B/C calling patterns and with average call lengths (holding times), within and
30 outside MSA 1, will consistently pay higher rates if they subscribe to Ameritech
31 Illinois' CallPack 100 service as opposed to remaining on basic rates. I have

1 calculated that customers will experience savings under the CallPack 100 plan only
 2 if their Band B and Band C calls are, on average, about 50 percent longer than
 3 average call lengths. Ameritech Illinois data indicate that, while CallPack
 4 subscription levels have increased to about *** *** percent of Ameritech Illinois'
 5 residential customers,²⁰ average call lengths have been stable in Band C and have
 6 increased only slightly in Band B.²¹ Therefore, while I do not have the data to
 7 determine exactly how many residential customers make Band B and C calls that are
 8 long enough so that CallPack 100 would save them money, it is clear that the
 9 majority of residential customers would experience rate increases if they subscribe to
 10 the CallPack 100 plan.

11 12 **III. IMPLICATIONS OF RATE ANALYSIS ON NEED FOR CUSTOMER** 13 **EDUCATION AND FAIR MARKETING PRACTICES**

14
 15 **Q. WHY IS IT IMPORTANT FOR AMERITECH ILLINOIS TO UTILIZE FAIR**
 16 **MARKETING PRACTICES WHEN INFORMING CUSTOMERS ABOUT ITS**
 17 **VARIOUS CALLING PLANS?**

18 **A. As I described in the previous section, many customers will have higher bills if they**
 19 **subscribe to the SimpliFive and CallPack plans. While some customers may choose**
 20 **to pay higher rates in return for the simpler rate structures of these plans, it is**
 21 **imperative that Ameritech Illinois fully disclose this potential for higher rates so that**
 22 **customers can make informed choices among Ameritech Illinois' various calling**
 23 **options.**

24
 25
 26
 27

²⁰ Ameritech Illinois responses to CUB data requests 6, 7, 8 and 9.

²¹ Ameritech Illinois responses to CUB data requests 25, 2.1 and 2.2.

1 Q. HAVE YOU REVIEWED THE MARKETING AND CUSTOMER
2 SOLICITATION MATERIALS, RESEARCH RESULTS, TRAINING MANUALS
3 AND TELEPHONE SCRIPTS PROVIDED BY AMERITECH ILLINOIS IN
4 RESPONSE TO CUB'S DATA REQUESTS REGARDING THE SIMPLIFIVE
5 AND CALLPACK PLANS?

6 A. Yes, I have.
7

8 Q. HOW HAS AMERITECH ILLINOIS REPRESENTED SIMPLIFIVE AND
9 CALLPACK PLANS TO RESIDENTIAL CUSTOMERS?

10 A. Based on my review of the materials submitted by Ameritech Illinois, and as
11 discussed by CUB witness Ms. Bayard, Ameritech Illinois claims that customers will
12 experience savings²² in addition to simpler rate structures²³ under the SimpliFive and
13 CallPack plans compared to what would occur if they purchased those services from
14 Ameritech Illinois under its basic rates or from a competitor.
15

16 Q. DOES AMERITECH ILLINOIS ACCURATELY REPRESENT THE COSTS AND
17 BENEFITS ASSOCIATED WITH SUBSCRIBING TO ITS SIMPLIFIVE AND
18 CALLPACK PLANS AS OPPOSED TO REMAINING ON ITS BASIC RATES?

19 A. No, it does not. In discussing the SimpliFive and CallPack plans with customers,
20 Ameritech Illinois fails to inform customers that the discount schedule associated
21 with its basic rates provides larger volume discounts than those available under the
22 SimpliFive plan. Further, Ameritech Illinois fails to inform customers that these
23 plans will increase their combined Bands A, B and C usage charges unless, for
24 SimpliFive, they consume a disproportionate amount of Band C service or, for
25 CallPack 100, they make Band B and Band C calls that are significantly longer than
26 average call lengths.
27

²² Ameritech Illinois response to CUB data request 11, Exhibits 1 and 3, Ameritech Illinois response to CUB data request 12, Exhibit 5-15, Ameritech Illinois response to CUB data request 15, Ameritech Illinois response to CUB data request 18, Toll-Lesson 11, Winback Procedures at 12.

²³ Ameritech Illinois response to CUB data request 11, Exhibits 1, 2 and 3, Ameritech Illinois response to CUB data request 12, Exhibit 5-15, Ameritech Illinois response to CUB data request 15, Exhibits 17 and 18.

1 Q. DOES AMERITECH ILLINOIS MARKET SIMPLIFIVE TO CUSTOMERS WHO
2 IT KNOWS WILL EXPERIENCE HIGHER RATES UNDER SIMPLIFIVE?

3 A. Yes. Ameritech Illinois has indicated that it targets customers who could experience
4 a net increase or decrease in their monthly bills of \$3.²⁴ Ameritech Illinois instructs
5 its customer service representatives that "customers prefer simplicity over savings"²⁵
6 and that "many customers enjoy a simple plan and are willing to spend a couple
7 dollars more for SimpliFive,"²⁶ even though Ameritech Illinois' own customer survey
8 indicates that 65% of customers value savings over simplicity.²⁷ Ameritech Illinois'
9 instructions would tend to encourage customer service representatives to market the
10 plan to customers who would not experience savings under the plan. Moreover,
11 Ameritech Illinois' marketing materials instruct customer service representatives that
12 "****

13 ****²⁸ However, as I just
14 explained, residential customers with such calling patterns will not experience
15 savings under the SimpliFive plan.
16 Ameritech Illinois instructs customer service representatives to market the
17 SimpliFive plan even when the customer service representative knows that the
18 customer would save money under Ameritech Illinois' basic rates, i.e., when data on
19 the representative's screen indicates that basic rates are the "best plan" for the
20 customer.²⁹ In that situation, customer service representatives are instructed to
21 reference basic rates without actually identifying their levels, followed by a detailed
22 listing of SimpliFive rates and a statement that it provides "a simplified rate
23 structure". If customers request a cost comparison, customer service representatives

²⁴ Ameritech Illinois response to CUB data request 14, Exhibit 19 at 1.

²⁵ Id.

²⁶ Ameritech Illinois response to CUB data request 18, Exhibit 22, "Do you want simple pricing?"

²⁷ Ameritech Illinois response to CUB data request 13A&B, Exhibit 16 at 11.

²⁸ Ameritech Illinois response to CUB data request 18, Products and Services – Lesson 9, Local Service Options and Optional Calling Plans at 13.

²⁹ Ameritech Illinois response to CUB data request 14, Exhibit 19, Do you want simple pricing?

1 are instructed to state that, *** "

2 "**** -- a statement that is incorrect for most customers, as I have
3 explained. The marketing script specifies that customer service representatives are
4 to provide a customer-specific cost comparison of SimpliFive and basic rates
5 ***

6 *** 30

7
8 Q. IN YOUR ASSESSMENT, DO AMERITECH ILLINOIS'
9 MISREPRESENTATIONS ABOUT THE SIMPLIFIVE AND CALLPACK PLANS
10 PROVIDE CUSTOMERS WITH A REASONABLE OPPORTUNITY TO MAKE
11 INFORMED CHOICES?

12 A. No, they do not. Ameritech Illinois' omission of critical information, including a
13 complete rate comparison between the SimpliFive plan and basic rates and an
14 explanation of the impact of calling patterns on rates, deprives customers of the
15 ability to make informed choices among Ameritech Illinois' various calling plans.
16 Further, Ameritech Illinois' active marketing of the SimpliFive and CallPack plans as
17 ways to save money, even to customers who Ameritech Illinois knows would not
18 benefit from the plan, is unfair and deceptive. Such improper marketing practices
19 should not be tolerated, especially in a regulated company.

20
21 Q. DO YOU HAVE ADDITIONAL CONCERNS REGARDING AMERITECH
22 ILLINOIS' PRACTICES AS THEY RELATE TO THE SIMPLIFIVE AND
23 CALLPACK PLANS?

24 A. Yes. Based on the training materials provided by Ameritech Illinois to its customer
25 service representatives, it appears that Ameritech Illinois instructs its representatives
26 to activate a CallPack plan on a customer's account so that the plan goes into effect
27 within one³¹ to two³² days. However, when a customer seeks to terminate a CallPack

³⁰ Id.

³¹ Ameritech Illinois response to CUB data request 18, Toll-Handout 9 at 15 and 17.

³² Ameritech Illinois response to CUB data request 18, Toll-Lesson 11, Winback procedures at 17.

plan from his/her account, the representative is instructed to due date the order for the day before the next bill date.³³ Such treatment confines the customer to the CallPack plan longer than is necessary and may result in a customer bill that is higher than it would have been had the customer been taken off the CallPack plan within a day or two of his/her request. Ameritech Illinois should be required to implement customers changes as soon as practicable and not in a manner, as it does with CallPack plans, which maximizes its revenues during a given billing cycle.

IV. IMPACTS ON COMPETITION

Q. DO YOU HAVE CONCERNS REGARDING THE IMPACT OF AMERITECH ILLINOIS' SIMPLIFIVE AND CALLPACK PLANS ON COMPETITION FOR TELECOMMUNICATIONS SERVICES IN ILLINOIS?

A. Yes, I do. Ameritech Illinois represents to customers that rates for bundled Band A, B and C calling through the SimpliFive or CallPack plans will be lower than they would be if the customer purchased each type of calling individually from Ameritech Illinois or a competitor.

For those areas where competition for residential Band A and B usage services has not yet developed, creating the misperception that Band A and B usage rates are more favorable under a bundled offering than when purchased individually from Ameritech Illinois under basic rates threatens the development of competition in the intraLATA toll market. This is because customers are led to believe that selecting a service provider other than Ameritech Illinois for intraLATA toll service will increase the prices for Band A and B usage services they must purchase from Ameritech Illinois. As explained above, residential customers make predominantly Band A calls.³⁴ As a result, customers will view the threat of increases in their

³³ Ameritech Illinois response to CUB data request 18, Toll-Handout 9 at 15 and 17.

³⁴ See also, Ameritech Illinois response to CUB data request 18, SimpliFive Handout.

monopoly-provided Band A rates as a deterrent to selecting a service provider other than Ameritech Illinois for intraLATA toll service.

Q. DO YOU HAVE CONCERNS REGARDING AMERITECH ILLINOIS' REPRESENTATIONS ABOUT THE SIMPLIFIVE AND CALLPACK PLANS IN ITS EFFORTS TO "WINBACK" CUSTOMERS WHO HAVE SUBSCRIBED TO OTHER CARRIERS?

A. Yes, I do. Ameritech Illinois has specific marketing efforts aimed at "winning back" customers who have presubscribed to another carrier for intraLATA toll service. Specifically, within a few days after a customer selects an alternative intraLATA toll provider, Ameritech Illinois *** **** stating, in part, "Since we know many customers have been switched without their permission, we want to be sure you know how to reach us if this was not approved by you."³⁵ If the customer contacts Ameritech Illinois in response to this ***"

***³⁶

I have two concerns about these practices. First, Ameritech Illinois' disparaging statements raise doubts about the legitimacy of the activities of its intraLATA toll competitors and necessarily shed a negative light on those competitors, thereby harming their credibility with customers. These statements may also discourage a customer from remaining with a competitor even if the switch was authorized by the customer.

Second, Ameritech Illinois' offer to win back customers through offering the SimpliFive and CallPack plans without fully informing customers about basic rate alternatives again creates the misperception that Simplifive and CallPack plans are priced more favorably than Ameritech Illinois' basic rates for Bands A and B usage. It also creates the misperception that selection of another service provider for intraLATA toll service, with the customer thereby being ineligible for the SimpliFive and CallPack plans, will increase rates for the Band A and B usage services they

³⁵ Ameritech Illinois response to CUB data request 12-A, Exhibit 4.

1 must purchase from Ameritech Illinois. Since residential customers make
2 predominantly Band A calls, a perceived increase in Band A rates--whether well
3 founded or not--will act to deter a customer from selecting an intraLATA toll
4 provider other than Ameritech Illinois.

5
6 Q. DO YOU HAVE OTHER CONCERNS REGARDING THE IMPACT ON
7 COMPETITION OF AMERITECH ILLINOIS' PRACTICES UNDER THE
8 SIMPLIFIVE AND CALLPACK PLANS?

9 A. Yes, I do. On customers' bills, Ameritech Illinois does not itemize the Band A, B
10 and C calls for SimpliFive and CallPack plans. Instead, Ameritech Illinois provides
11 a single total charge for all calls billed on a per call basis and a separate total charge
12 for all calls billed on a per minute basis under the plans. This limited information
13 precludes customers from being able to adequately review their calling patterns and
14 rates to determine whether they would benefit from a change in their calling patterns,
15 calling plans and/or service providers.

16
17 Q. WHAT IS YOUR CONCLUSION WITH REGARD TO THE IMPACT OF
18 AMERITECH ILLINOIS' REPRESENTATIONS ABOUT ITS SIMPLIFIVE AND
19 CALLPACK PLANS ON COMPETITION FOR LOCAL AND INTRALATA
20 TOLL SERVICE?

21 A. For the reasons I have discussed, I conclude that Ameritech Illinois'
22 misrepresentations about its SimpliFive and CallPack plans have an adverse effect on
23 competition in the local and intraLATA toll markets.

24
25 **V. RECOMMENDATIONS**

26
27 Q. WHAT RECOMMENDATIONS DO YOU MAKE AS A RESULT OF YOUR
28 CONCERNS REGARDING AMERITECH ILLINOIS' SIMPLIFIVE AND CALLPACK
29 PRACTICES?

³⁶ Ameritech Illinois response to CUB data request 14, Illinois Calling Plans matrix.